

us that it's never as simple as it seems.

"If it says free checking, zero percent APR, zero finance charges for 25 months, there's some catch," says Bender. "They put all the cool stuff in large fonts or snazzy logos, and people get hooked, but it's never that good."

The answer, say the credit card experts Bankrate spoke with, is to always read the fine print. Before you sign that application and drop it in the mail, make very sure that you know exactly what you're getting into.

Perhaps the most important thing for you to remember when you sign up for a credit card is that the companies retain the right to change the terms at any time. They can raise rates, shorten grace periods and basically change the relationship in ways that work to their advantage.

That's why you need to study the filler material that comes with your statement each month as [we explain in this story](#).

But frequently the things you wish you had known were right there from the start, and you would have known if you'd done your homework before you accepted the agreement.

Here are some things you may see on your credit card offers, including some common and some less-common charges, and what they could mean to you.

**APR, Variable-rate information:** The initial interest rate is often one of the large print items stated on the front of the offer, but how the rate will eventually change is listed on the back, and is just as - if not more - important.

According to John Waskin, Executive Director of the national nonprofit debt counseling service Bill Free - American Credit Counselors, 53 percent of Americans continue to carry the majority of their balances at the end of the promotional rate period. But even if you're paying off your bill, a slip or two can change your rate.

"If you miss two payments, or are late twice, they could automatically raise your rate," warns Ray Hooper, Education Manager for the Consumer Credit Counseling Service of Dallas.

The fine print will warn you which slip-ups could cause a rate increase.

**Payment allocation:** If you use your card for both purchases and cash advances, or use your card both during and after a promotional period, then chances are you'll carry charges with two different rates. But if you assume that your payments will pay off your highest rate first, you're probably in for a disappointment.

- Your gender may determine your spending. See [sex and money habits](#)



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Payment allocation tells how they allocate your payment in the event of differing rates, including how they may be allocating all payments to the lower rate before paying off the high one. Make sure you're aware of how payments are allocated, and whether you have the right to request how they should be allocated.

Read the fine print to make sure you know this before you accept the card.

**Over-limit fees, Late fees, Grace periods:** If the grace period for making payments is stated at 28 days on the initial offer, then you know when to pay your bill to avoid a late fee.

But the fine print probably will warn you that the company can change the grace period. Card issuers can change the grace period from 28 days to 20 days, let's say, and as long as it was in the fine print, it's legal.

Also, David Bach, CEO of Finish Rich, Inc. and author of *The Finish Rich Workbook*, reports that some companies have a specific time on the due date that the bill is actually due. Look for that, too.

"That's a huge trick," says Bach. "If a bill is due at noon, and someone gets their payment in on the last day in the afternoon, they're hit with a late fee."

**Default purchase rate:** If you default on your account, your card issuer may sell your debt to another company or collection agency. If that happens, you could be responsible for a different, and higher, rate. Look for it.

**Transaction fees:** Fees for various transactions, like using your card for cash advances. Make sure you consider that and what sorts of transactions you're most likely to make in selecting a card.

**Notice of reaffirmed debts:** If you have ever defaulted on a debt, be very careful that your solicitations for "new" cards don't mention your old debts.

Some credit card issuers buy old debts from other companies and then offer "new" cards to the people in debt, only to shock the card holder on their first statement with the old debt. If a company mentions their right to do this in writing at any time, then it's legal, and you're responsible.

**You're approved up to \$25,000!:** This one's not actually in the fine print, it's right there on the front, but people misunderstand it. The words "up to" are there for a reason.

Someone will apply for a card because they think they'll have \$25,000 in credit, only to find a substantially lower limit once they're approved. Credit card companies will set your limit based on your credit history, and the large number on the offer is an enticement that probably will not be your ultimate credit amount.

**Double-billing cycle:** Robert Manning, author of *Credit Card Nation: The Consequences of America's Addiction to Credit*, reports that some companies employ a double billing cycle, which means that while the due date on your statement refers to your minimum payment, the due date to pay off your entire balance is different.

If that due date is two weeks earlier, and you pay off your entire card by the due date stated on your bill, then the company could still charge you interest for the two-week interim period.

The fine print will warn you if the company plans to apply a double billing cycle.

**Fee for overdraft protection:** Many credit card companies offer overdraft protection on your checking accounts. That doesn't come for free. As with anything else, there may be extra fees on this, possibly nullifying their benefit.

**Arbitration:** Some card companies note in the fine print that if there's a dispute, you agree to go to arbitration.

"If you accept a card with arbitration, that's a big red sign that says, 'Kick me,'" says Manning. "That means that if you have a complaint with a card company, you have to pay for arbitration."

**Balance transfer terms:** Lots of people dispute charges, but if you transfer balances, you may lose that right.

**Gift card terms:** If you buy something with a gift card, you may not have the same rights, like purchase protection, that you would otherwise have on the card.

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